

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

July 15, 2005

IN RE:

**STAFF INVESTIGATION OF ATMOS ENERGY FOR
ALLEGED VIOLATIONS OF RULE 1220-4-5-.08 AND
1220-4-5-.09**

)
)
)
)
)
)

**DOCKET NO.
05-00150**

ORDER APPROVING SETTLEMENT AGREEMENT

This matter came before Chairman Pat Miller, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this Docket, at the regularly scheduled Authority Conference held on June 13, 2005 for consideration of a proposed Settlement Agreement between the Consumer Services Division of the TRA (the "CSD") and Atmos Energy Corporation ("Atmos" or the "Company") related to alleged violations of the Tenn. Comp. Rules & Regs. 1220-4-5-.08 and 1220-4-5-.09. The proposed Settlement Agreement is attached hereto as Exhibit A.

TRA Rule 1220-4-5-.08 sets forth specific requirements regarding what must be shown on a gas meter reading sheet or card.¹ TRA Rule 1220-4-5-.09 requires a gas meter to be read

¹ TRA Rule 1220-4-5- 08 states.

METER READING SHEETS OR CARDS. The meter reading sheets or cards shall show

- (a) Customer's name, addresses, and rate schedule
- (b) Identifying number and/or description of the meter(s)
- (c) Meter readings
- (d) If the reading has been estimated
- (e) Any applicable multiplier or constant

monthly, unless the TRA authorizes readings at other intervals.² Tenn. Code Ann. § 65-4-120 (2004) authorizes the TRA to assess a penalty of fifty dollars (\$50) for each day of a violation of an Authority rule.

Between January 28, 2005 and April 7, 2005, the CSD and Atmos received a number of complaints concerning high gas bills from Atmos customers in Rutherford and Williamson counties. The Authority received a total of 34 complaints regarding the matter, while Atmos received 542 complaints. These complaints stemmed from gas meter readings affecting some 14,055 customers between August 2004 and December 2004. Atmos had contracted with the Bush Meter Reading Company in May 2004 to assume regular meter reading duties for 21,000 of the Company's meters in the Murfreesboro area.

In late November 2004, Atmos's internal system controls revealed problems with some of the meter readings from the Bush Meter Reading Company. Atmos's investigation revealed that two Bush Meter Reading Company employees had falsified readings by utilizing the previous month's information from the handheld meter reading device rather than actually reading the customers' meters. In addition, the falsified reads failed to account for increased gas consumption as the weather turned colder into the fall of 2004. As a result, when those customers' accounts were trued-up, they received bills that were larger than usual in December, January and February. Because Atmos's Purchased Gas Adjustment remained unchanged from October 2004 through March 2005, all bills during the affected time period were at the same gas cost rate.

² TRA Rule 1220-4-5- 09 states

METER READING INTERVAL Meters shall be read monthly, except that authority may be obtained from the Authority for reading the meters at other than monthly intervals. As nearly as practicable, utilities shall avoid sending a customer two successive estimated bills

In December 2004, Bush Meter Reading Company terminated the employees responsible for the falsified meter readings. Atmos has since terminated its contract with Bush Meter Reading Company and has resumed reading all meters with Atmos employees.

Atmos notified the CSD of the customer billing problem on January 20, 2005. In response to the CSD's concern regarding the possibility that customers would incur late fees as a result of the larger than usual bills, Atmos removed all late fees from the accounts of all 14,055 customers who may have been affected. Atmos also contacted the customers most significantly impacted, including setting up individual appointments with customers to discuss billing concerns. For each of the high bill complaints received by the CSD or Atmos, Atmos sent a service technician to read and check the customer's meter and meet with the customer in person. Through the media, customers were notified to contact Atmos if they had questions about their bills and were advised that payment arrangements would be made available. On March 18, 2005, Atmos mailed an apology letter to each of the 14,055 customers.

After receiving notice from Atmos of the errors and consumer complaints, the CSD began an investigation and contacted representatives of Atmos to discuss the issue. During these conversations and at subsequent meetings Atmos provided the CSD with information concerning the nature and scope of the problem and the results of the Company's internal investigation. Subsequently, discussions ensued between the CSD and Atmos regarding the steps Atmos would take to ensure compliance with TRA Rules 1220-4-5-.08 and 1220-4-5-.09. CSD relied upon the factors stated in Tenn. Code Ann. § 65-4-116(b) (2004) during the negotiations that resulted in the Settlement Agreement, including the Company's size, financial status, good faith and the gravity of the violations.

Settlement Agreement

The proposed Settlement Agreement between Atmos and the CSD was filed with the Authority on June 2, 2005. Pursuant to the Settlement Agreement, Atmos agreed to make payments of \$25,000 to the Authority and \$15,000 to social welfare organizations that assist low-income customers with their gas bills in the two affected counties. The Settlement Agreement also provides that if Atmos were to again elect to utilize an independent contractor to perform its meter reading function, then Atmos must notify the CSD in advance and provide to the Authority, for approval, a written copy of heightened procedures it proposes to utilize with regard to the independent contractor meter readers. Additionally, Atmos must provide the Authority with reports reflecting the independent contractor's compliance with the heightened procedures every six (6) months during the term of any meter reading contract.

June 13, 2005 Authority Conference

At the regularly scheduled Authority Conference held on June 13, 2005 the panel considered the proposed Settlement Agreement. The panel found that Atmos has been forthcoming and cooperative in sharing with the CSD its internal investigation and has made concentrated efforts to assist consumers with higher than normal gas bills by waiving all late charges for affected customers and allowing multi-month payment arrangements. Additionally, the panel noted that Atmos contacted the Authority to report the irregularities in its meter readings before the first consumer complaint was received by the Authority. Based on the foregoing, the panel voted unanimously to accept and approve the Settlement Agreement.

IT IS THEREFORE ORDERED THAT:

1. The Settlement Agreement, attached hereto as Exhibit A, is accepted and approved and is incorporated into this Order as if fully rewritten herein.
2. Atmos shall make a payment of \$25,000 in settlement of this matter and remit that amount to the Office of the Chairman of the TRA no later than thirty (30) days following the approval of this Settlement Agreement by the TRA Directors.
3. In addition to the payment set forth in Paragraph 2 above, Atmos agrees to make a \$15,000 contribution to community organizations that assist Murfreesboro area residents in paying their gas bills.
4. Atmos shall notify the Consumer Services Division of the TRA in advance if it decides to contract out its meter reading function again in the future. If Atmos decides to enter into such contracts in the future, Atmos shall develop heightened procedures to verify the accuracy of meter readings by independent contractors. Those procedures may include spot audits of readings, periodic verification of readings by Atmos personnel and rotation of the routes read by each meter reader on a periodic basis. Atmos shall deliver to the TRA, for Authority approval, a written copy of the heightened procedures it proposes to utilize with regard to the independent contractor meter readers before the independent contractors begin the meter reading. Atmos shall provide reports reflecting the independent contractor's compliance with the heightened procedures to the TRA every six (6) months during the term of any meter reading contract the Company may enter into in the future.

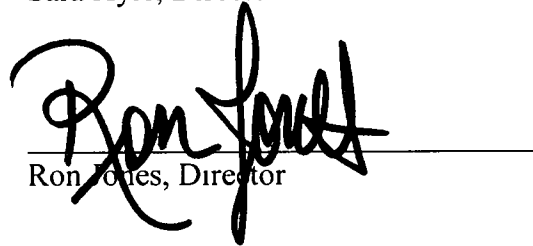
5. Upon compliance with the terms of the Settlement Agreement attached hereto, Atmos is excused from further proceedings in this matter. In the event of any failure on the part of Atmos to comply with the terms and conditions of the Settlement Agreement, the Authority reserves the right to re-open this Docket.

A handwritten signature in black ink, appearing to read "Pat Miller", written over a horizontal line.

Pat Miller, Chairman

A handwritten signature in black ink, appearing to read "Sara Kyle", written over a horizontal line.

Sara Kyle, Director

A handwritten signature in black ink, appearing to read "Ron Jones", written over a horizontal line.

Ron Jones, Director

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:)
)
ALLEGED VIOLATIONS OF TENN. CODE ANN. § 65-4-120 (2004) AND RULES OF THE) **DOCKET NO. 05-00150**
TENNESSEE REGULATORY AUTHORITY,)
CHAPTERS 1220-4-5-.08 AND 1220-4-5-.09 BY:)
)
ATMOS ENERGY CORPORATION)

SETTLEMENT AGREEMENT

This Settlement Agreement has been entered into between the Consumer Services Division (“CSD”) of the Tennessee Regulatory Authority (“Authority” or “TRA”) and Atmos Energy Corporation (“Atmos” or “the Company”) and is subject to the approval of the Directors of the TRA.

I. FACTUAL BACKGROUND.

In May 2004, Atmos contracted with the Bush Meter Reading Company to assume regular meter reading duties for 21,000 of the Company’s meters in the Murfreesboro area. The Bush Meter Reading Company assigned Atmos three of its meter-readers, and those individuals were trained by Atmos and began reading meters around June 2004.

In late November 2004, Atmos’ internal system controls revealed problems with some of the meter readings from the Bush Meter Reading Company. Atmos’ investigation revealed that two Bush Meter Reading Company employees had falsified readings by utilizing the previous month’s information from the handheld meter reading device rather than actually reading the

EXHIBIT

A

customers' meters. A total of 14,055 customers may have received erroneous meter readings between August 2004 and December 2004. In addition, the falsified reads, based on the false information, failed to account for increased gas consumption as the weather turned colder into the fall of 2004. As a result, when those customers' accounts were trued-up, they received bills that were larger than usual in December, January, and February. Because Atmos' Purchased Gas Adjustment (PGA) remained unchanged from October 2004 through March 2005, all bills during the affected time period were at the same gas cost rate.

In December 2004, Bush Meter Reading Company terminated the employees responsible for the falsified meter readings. Atmos has terminated its contract with Bush Meter Reading Company and will resume reading all meters with Atmos employees.

Atmos notified the CSD of the customer billing problem on January 20, 2005. In response to the CSD's concern regarding the possibility that customers would incur late fees as a result of the larger than usual bills, Atmos removed all late fees from the account of all 14,055 customers who may have been affected.

Atmos also contacted the customers most significantly impacted, including setting up individual appointments with customers to discuss billing concerns. Through the media customers were notified to contact Atmos if they had questions about their bills and were advised that payment arrangements would be made available. On March 18, 2005, Atmos mailed an apology letter to each of the 14,055 customers. Atmos ultimately granted 1,247 extended payment arrangements to customers during the relevant time period.

Between January 28, 2005 and April 7, 2005, the CSD and Atmos received a number of high bill complaints from Atmos customers in Rutherford and Williamson counties. The Authority received a total of 34 complaints regarding the matter, while Atmos received 542

complaints For each of the high bill complaints received by the CSD or Atmos, Atmos sent a service technician to read and check the customer's meter and meet with the customer in person to discuss the bills in question

After receiving notice from Atmos of the errors and consumer complaints, the CSD began an investigation and contacted representatives of Atmos to discuss the issue. During these conversations and at subsequent meetings Atmos provided the CSD with information concerning the nature and scope of the problem and the results of the Company's internal investigation. Subsequently, discussions ensued between the CSD and Atmos regarding the steps Atmos would take to ensure compliance with Authority Rules 1220-4-5-.08 and 1220-4-5-.09 which govern the practices of Gas Utility Companies

TRA Rule 1220-4-5- 08 states:

METER READING SHEETS OR CARDS. The meter reading sheets or cards shall show:

- (a) Customer's name, addresses, and rate schedule.
- (b) Identifying number and/or description of the meter(s).
- (c) Meter readings
- (d) If the reading has been estimated
- (e) Any applicable multiplier or constant.

Additionally, Rule 1220-4-5-.09 states:

METER READING INTERVAL. Meters shall be read monthly, except that authority may be obtained from the Authority for reading the meters at other than monthly intervals. As nearly as practicable, utilities shall avoid sending a customer two successive estimated bills.

Lastly, Tenn. Code Ann § 65-4-120 (2004) states:

Penalty for noncompliance with authority. Any public utility which violates or fails to comply with any lawful order, judgment, finding, rule, or requirement of the authority, shall in the discretion of the authority be subject to a penalty of fifty dollars (\$50) for each day of any such violation or failure, which may be declared due and payable by the authority, upon complaint, and after hearing, and when paid, either voluntarily, or after suit, which may be brought by the authority, shall be placed to the credit of the public utility account

In an effort to resolve all of the complaints referenced above and ensure company compliance with TRA Rules 1220-4-5-.08 and .09, the CSD and Atmos agree to settle this matter based upon the following acknowledgements and terms subject to approval by the Directors of the TRA:

1. Atmos neither admits nor denies that the above-referenced complaints are true and valid complaints or that its actions constitute violations of Tenn. Comp. R. & Regs. 1220-4-5-.08 and Tenn Comp R & Regs 1220-4-5-.09. As part of the consideration for this settlement agreement, Atmos has agreed not to contest the complaints

2. Atmos agrees to make a payment of \$25,000 in settlement of this matter and agrees to remit that amount to the Office of the Chairman of the TRA no later than thirty (30) days following the approval of this Settlement Agreement by the TRA Directors.

3. In addition to the payment set forth in Paragraph 2 above, Atmos agrees to make a \$15,000 contribution, after consultation with the CSD, to community organizations such as Warm Neighbors that assist Murfreesboro area residents in paying their gas bills

4. Atmos agrees to notify the CSD in advance if it decides to contract out its meter reading function. Atmos agrees to develop heightened procedures to verify the accuracy of meter readings by independent contractors, should it decide to enter into such contracts in the future. Those procedures may include spot audits of readings, having readings periodically verified by Atmos personnel, and rotating the routes read by each meter reader on a periodic basis. Should Atmos decide to utilize independent contractors for meter reading, Atmos agrees to deliver to the TRA, for Authority approval, a written copy of the heightened procedures it proposes to utilize with regard to the independent contractor meter readers before the independent contractors begin the meter reading. Atmos agrees to provide reports reflecting the

independent contractor's compliance with the heightened procedures to the TRA every 6 (six) months during the term of any meter reading contract the Company may enter into in the future.

5. Atmos agrees to comply with all the statutory and regulatory requirements of the TRA, and in the event that Atmos merges or consolidates with or transfers its assets to another firm, corporation or entity, Atmos or its successor shall remain responsible for fully complying with the terms and conditions of the Settlement Agreement. Atmos shall so notify the CSD no less than ten (10) days prior to the completion of such transaction.

6. Atmos agrees that a company representative will attend in person the Authority Conference during which the Directors consider this Settlement Agreement

7. Compliance with all terms and conditions of this Settlement Agreement by Atmos shall be deemed a full release, accord and satisfaction of all liability for the aforementioned outstanding issues and Atmos shall be excused from further proceedings in this matter.

8. In the event that Atmos fails to comply with the terms and conditions of this Settlement Agreement, the TRA reserves the right to re-open this docket. Atmos shall pay any and all costs incurred by the TRA in the future to enforce compliance with the Settlement Agreement.

9. This Settlement Agreement represents the entire agreement between the parties, and there are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Settlement Agreement that are not fully expressed herein or attached hereto.

10. If any clause, provision or section of this Settlement Agreement shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this Settlement Agreement and this

Settlement Agreement shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein.

Eddie Roberson / gdc

Eddie Roberson
Chief, Consumer Services Division
Tennessee Regulatory Authority

June 2, 2005
Date

M Kelly

Signature

Misty Smith Kelley

Print Name

Attorney

Print Title

Atmos Energy Corporation

May 31, 2005
Date